

ASSOCIATED PRESS
14 April 1986

7- NICARAGUA / CIA
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WASHINGTON

The Central Intelligence Agency, barred by Congress from giving military aid to Nicaraguan rebels, secretly paid several million dollars for the Contras' political projects over the past year, U.S. government officials say.

The officials, who insisted on anonymity, said the money went to the rebels' political umbrella group, the United Nicaraguan Opposition (UNO) to pay rebel officials and supporters, open offices in Europe and Latin America and take trips to seek foreign support for their cause.

The money came out of the CIA's budget, over which President Reagan and CIA Director William J. Casey have wide discretion. The CIA must inform the two congressional intelligence committees of such covert spending, and officials said notification about the "political projects" was given.

The clandestine aid allowed the CIA to maintain a strong influence over the rebel movement, even though a congressional ban existed from October 1984 through September 1985, prohibiting the agency from spending money "which would have the effect of supporting, directly or indirectly, military or paramilitary operations in Nicaragua," officials said.

Congress enacted that ban in 1984 amid disclosures that the CIA had directed the mining of Nicaragua's harbors and prepared a manual counseling the Contras on "neutralizing" officials of Nicaragua's leftist Sandinista government.

The House is scheduled to vote Tuesday on Reagan's plan to give the Contras \$100 million in new military and non-lethal aid and drop all restrictions on CIA involvement with the rebels.

Rep. Michael Barnes, D-Md., chairman of House Foreign Affairs subcommittee on Latin America, said, "We now know beyond any doubt why the administration set up the UNO last year. It created this ostensibly political organization to serve as a conduit for CIA funds to the Contras. Subterfuges like this have created a policy that is totally out of control."

"We suspected that the CIA had never really withdrawn from the scene, but the extent of the agency's direct involvement in the Contra war may astound even the most jaded observer," commented Rep. Sam Gejdenson, D-Conn., a House Foreign Affairs Committee member.

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"It should be clear by now that \$100 million to the Contras would not go to benefit any army of indigenous freedom fighters but would simply allow the CIA a bigger budget to play war in Central America," he said.

CIA spokeswoman Kathy Pherson refused comment on the political aid, but said the agency "has complied with congressional restrictions" on its activities.

One knowledgeable U.S. official described the CIA effort as "a major program" that was intended "to strengthen the civilian leadership (of the rebel movement) and create the aura that they are an actual political entity among our allies in Europe."

The official added that CIA money also went to Sandinista opponents who remain inside the country.

Another official said a political operation had existed during the 1981-84 period when the CIA spent at least \$80 million to train and supply the Contras. The official said the political operation was revived or expanded in mid-1985 when UNO was created.

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While the CIA depicts the aid as political rather than military, internal UNO documents obtained by The Associated Press show much of UNO's political money going to military organizations allied with the umbrella group.

According to the documents covering August 1985 through February, the Nicaraguan Democratic Force, FDN, the largest rebel army, was allocated \$456,707 for costs including its office space, "security" and operation of the rebels' "15 of September" radio station, which broadcasts into Nicaragua from Honduras. The documents do not explain what is meant by "security" but it consumed \$165,250 of the total FDN spending.

One proposed FDN program, contained in the documents, would establish a "Contra art project" to improve the rebels' "international projection." The proposal sought \$27,950 for paints, art equipment and three months of art classes.

Bosco Matamoros, who serves as spokesman for both UNO and the FDN, declined comment.

The Kisan Indian rebel group received \$350,198, but the largest share, \$528,613, was devoted to UNO activities in Costa Rica, according to the documents. The Costa Rican total included \$160,001 for "security."

UNO's leadership consists of FDN leader Adolfo Calero and two former Sandinista officials, Arturo Cruz and Alfonso Robelo. They have been sharply criticized recently by many Nicaraguan exiles as being hand-picked by the United States and lacking popular support among Nicaraguans.

In an interview with the AP, Leonardo Somarriba, recently named UNO's secretary general, confirmed claims from Nicaraguan exiles that some money was used as "pay-offs" to encourage support among exiles.

"Some of that is necessary, but we hope to be minimizing it in the future," Somarriba said. Another well-placed Nicaraguan exile said pay-offs were also made to Honduran and Costa Rican officials to enable the rebels to operate in those countries.

Some Nicaraguan exiles close to UNO also said money went to pay for trips in which UNO officials traveled with friends and spouses to Europe.

According to the UNO documents, the rebel group has established offices in Geneva, Paris, Spain, Panama, Venezuela, Colombia, Argentina, Honduras and Costa Rica. Payments were also made to a variety of UNO commissions, though the exiles say the commissions have been largely inactive.

The UNO papers show \$2 million received to pay for the projects, with \$1.5 million arriving through Lloyd's, a London-based bank with an offshore branch in the Bahamas.

One document, dated Feb. 26, is a copy of a requested wire transfer of \$70,000 from Corporacion Tuira's account at the Panamanian office of Lloyds Bank International of the Bahamas to Comercial Tulin's account at the Anglo Costa Rican Bank of San Jose. The transfer order is signed by UNO's administrator Evenor Valdivia.

Last year, Congress gave the Contras \$27 million in non-lethal "humanitarian" aid but barred a CIA role in spending it. The \$27 million is administered by a special State Department office, which has used the money to buy food, medicines, uniforms and boots for the rebels.